

August 12, 2016

Daphne McMurrer
Guy Hoffman
Air Quality Planning Section Manager
Air Quality Division - MC-206
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087

Submitted by email to: daphne.mcmurrer@tceq.texas.gov; guy.hoffman@tceq.texas.gov

Re: Presentation to Emissions Banking and Trading Stakeholder Group, "Emission Banking and Trading Area and Mobile Source Credit Generation Potential Rulemaking"

Dear Ms. McMurrer and Mr. Hoffman:

Western Refining, Inc. ("Western") respectfully submits these comments regarding the Texas Commission on Environmental Quality (TCEQ) presentation to the emissions banking and trading stakeholder group, "Emission Banking and Trading Area and Mobile Source Credit Generation Potential Rulemaking". EPA lowered the ozone standard from 75 ppb to 70 ppb in October 2015. This lowering of the ozone standard results in the potential for El Paso County to be designated as nonattainment and thus major projects in El Paso County for nitrogen oxide (NOx) or volatile organic compound (VOC) emissions will need access to a viable credits market. We appreciate the opportunity to provide comments on this critical step towards implementing the 2015 ozone standard in El Paso County and supporting the economic growth and vitality of the region.

Western is an independent crude oil refiner and marketer of refined products, headquartered in El Paso, Texas. Western owns and operates three refineries, located in or near each of El Paso, Texas; Gallup, New Mexico, and St. Paul Park, Minnesota, with a combined capacity of 253,800 barrels per day. The wholesale segment includes a fleet of crude oil and finished product truck transports plus wholesale petroleum products operations in several states throughout the United States. The retail segment includes retail service stations and convenience stores in Arizona, Colorado, Minnesota, New Mexico, Texas and Wisconsin operating primarily through the Giant, Howdy's, and SuperAmerica brands. Western Refining, Inc. also owns the general partner and approximately 65% of the limited partnership interest of Western Refining Logistics, LP.

In El Paso County, Western's business and operations provide a substantial positive impact. Western has approximately 500 employees in the El Paso area, in the refinery and company offices. Our average wage for these employees is one of the highest average wages in El Paso. We employ a number of contractors in addition to company

employees. And we operate more than 25 retail gasoline stations with convenience stores in El Paso, providing additional employment. We are the largest property tax payer in the county. Western donates approximately \$1,000,000 annually to local non-profit, charitable organizations; our charitable donations include scholarships and donations to nearby schools, among other things, and we are the largest contributor to the United Way of El Paso.

Western Refining supports and adopts the comments submitted jointly by several trade associations including associations to which Western belongs, namely Texas Industry Project (TIP), Texas Association of Manufacturers (TAM), and Texas Oil & Gas Association (TXOGA). Western provides this letter to supplement those comments with information about the critical importance of this potential rulemaking to El Paso County in particular and to emphasize a few key points made by the trade associations, of particular importance to El Paso County.

El Paso County has an ozone design value hovering at or near the threshold for a potential nonattainment designation when the EPA makes the final designations for the 2015 ozone standard, anticipated in October 2017. Just this week, on August 8, the UTEP monitor in El Paso County measured 78 ppb, resulting in an apparent design value of 71 ppb for the County, based on the years 2014 through 2016. Thus, El Paso County may be designated as nonattainment and major projects for NO_x and/or VOC compounds may require offsets in a ratio of 1 to 1.1.

Finding offsets needed to support the economic growth and vitality of El Paso County will be challenging at best. The county simply has few potential sources of point source emission credits. For all practical purposes, we anticipate a likely scenario that point source credits will not be generated and traded, and any credits generated for trade will need to come from area and mobile sources exclusively. The emissions inventory indicates well over 90 percent of VOC emissions and approximately 85 percent of NO_x emissions result from area and mobile sources. The emissions banking and trading (EBT) potential rulemaking would support an equitable structure to issue credits from area and mobile sources, which will be critically needed in the future in a nonattainment scenario.

Western Refining emphasizes the following points from the trade association comments, points that will be critical for El Paso County, should it be designated nonattainment:

- We encourage TCEQ to expedite the rulemaking to the extent practical. While mobile and area source credits will not be needed in El Paso County until at least October 2017, should a final nonattainment designation be made at that time, companies need the certainty of seeing a formal program with appropriate rulemaking well in advance of that timing to support business planning and regulatory certainty.
- We encourage TCEQ to ensure that the Texas program does not contain unnecessary and overly restrictive elements. For example, TCEQ should limit discounting as much as possible and avoid piling discounts onto discounts. Additionally, TCEQ should use the ten year baseline instead of five, for the reasons articulated in the trade association letter. El Paso has historically been an

economically depressed area, and heavy discounts or limited baselines may discourage the economic growth much needed in the area. Similar to the Texas/Louisiana border where companies may choose to locate in Louisiana, companies considering the El Paso area may take their projects to nearby New Mexico or possibly even outside the country, to Mexico.

- We strongly support the trade associations' comment to include language in any rulemaking of TCEQ's that will allow for "prohibited" mobile or area source ERC generation categories to be removed from the list without the delay associated with the SIP approval process, if EPA approves the category as one that can create "quantifiable, surplus, enforceable, and permanent reductions in another jurisdiction". While we may not be able to see our way to certain sources of credits today, years of experience with area and mobile source credits down the road may facilitate being able to realize what we cannot see today.

Finally, Western Refining thanks TCEQ for moving forward with both the area and mobile source credit programs. In areas like El Paso, with limited point source credit availability, both the area and the mobile source programs will likely be needed to support future needs. While fewer details of mobile source credits have been discussed as of this time, we encourage TCEQ to keep this program on the same track for rulemaking as the area source program.

If you have any questions on the information contained in this email, please contact Marise Textor at 915-474-7897 or marise.textor@wnr.com.

Sincerely,



Leslie Ann Allen
Senior Vice-President, Environmental

cc: Donna Huff – donna.huff@tceq.texas.gov